2014 NATURAL GAS MARKET OUTLOOK

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The Components of Your Core Gas Bill

Estimated Comparisons & Cost Breakdown for Core Rate @ 100,000 th/yr

These are estimated #s only. Gas costs are derived from a 12-month rolling historical dataset.
The Components of Your NonCore Gas Bill

Estimated Comparisons & Cost Breakdown for NonCore Rate @ 1,500,000 th/yr

These are estimated #s only. Gas costs are derived from a 12-month rolling historical dataset.
SoCalGas – January 1, 2014 Rates

» Core C&I Class Average Rates
  ▪ increase 5.5% \( (\Delta = $0.017) \)

» Noncore C&I Class Average Rates
  ▪ increase 1.1% \( (\Delta = $0.001) \)

» PPPS Rates
  ▪ Core C&I increase 5% \( (\Delta = $0.002) \)
  ▪ Noncore C&I decrease -11.6% \( (\Delta = $0.004) \)

» Noncore EG Class Average Rates for Tier I
  ▪ decrease -18.7% \( (\Delta = $0.012) \)

» Noncore EG Class Average Rates for Tier II
  ▪ decrease – 29.9% \( (\Delta = $0.010) \)
Where to Find Latest Gas Rates

» SoCalGas website → Regulatory → Tariffs → Tariffs Rates [URL]

[URL: http://socalgas.com/regulatory/tariffs/tariffs-rates.shtml]
Commodity $ = Biggest Driver of Costs

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Oil Prices vs Natural Gas

Source: Oil prices - EIA, CA/AZ Border Gas Price - ProphetX T:\oil vs gas.xls
Historical Gas Commodity & Rate Pricing

Data Sources:
CA Border Index: *Natural Gas Intelligence BidWeek*
Core Gas Cost: SoCalGas tariff G-CPR rate
Noncore Rate: SoCalGas GT3 tariff (transport + customer charge) average $/th based on 1.5 Mth/yr consumption
Core Rate: SoCalGas GN10 tariff (transport + customer charge) average $/th based on 100k th/yr consumption
Relatively Flat 5-Yr Gas $ Forecast

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Updated January 6, 2014
Gas Commodity Major Price Drivers

1. Growing domestic production of natural gas
2. Ongoing improvements in advanced drilling technologies
3. Consumption growth in industrial and power gen. sectors
4. New Export Demand (LNG)
5. Energy Policy & Regulation
At a Glance: Jan 2014 Polar Vortex

» Severe Arctic cold weather caused a week of below freezing weather, setting record lows across the Eastern U.S.

» The spot price of gas in spiked as high as $100/mmBtu in New York, and up to $40/mmBtu across in East Texas.

» Infrastructure constraints

» Frozen gas wells such as in Marcellus Shale area
U.S. Storage Inventories

**U.S. Working Natural Gas in Storage**

*Deviation from average*

*Storage level*

Note: Colored band around storage levels represents the range between the minimum and maximum from Jan. 2009 - Dec. 2013.

Source: Short-Term Energy Outlook, January 2014.
E.I.A. Natural Gas Production and Imports Forecast

U.S. Natural Gas Production and Imports
billion cubic feet per day (Bcf/d)

Source: Short-Term Energy Outlook, January 2014.
Outlooks, Conclusions

» Long term domestic natural gas production growth outpaces consumption growth

» NYMEX and Clearport futures indicate analysts expect natural gas pricing has leveled between $4.00 - $4.50 / mmbtu

» Natural gas = still lowest priced combustion fuel, cleanest combustion fuel, domestic, plentiful

» Long term drivers: Federal energy policy and regulation, LNG export, economic growth,

» Short term drivers: weather, local infrastructure,

» Energy prices still lower than a decade ago
How to Manage Your Energy Costs

1. Take advantage of energy efficiency programs. Call your Account Executive for technical support.


3. If you transport your own gas, talk to your gas supplier to discuss supply and pricing strategies.

4. Look for ways to conserve and be more energy efficient.
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